

Financial Condition Report

Year ended December 31, 2023

Providence Life Assurance Company (Bermuda) Ltd.

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1. Business and Performance

1.1. The Insurer

This report relates to Providence Life Assurance Company (Bermuda) Ltd. (“the Company” or “Providence”).

The Company is a limited liability company registered and incorporated in Bermuda under the Companies Act 1981 and licensed as a class C insurer by the Bermuda Monetary Authority (“BMA”) to write long-term insurance and reinsurance business.

The Company operates from its headquarters in Hamilton, Bermuda and markets its business through various channels.

1.2. Insurance supervisor

Bermuda Monetary Authority
43 Victoria Street
Hamilton HM 12, Bermuda
Tel: (441) 295 5278

1.3. Approved auditor

KPMG Bermuda Ltd.
Crown House,
4 Par-La-Ville Road,
Hamilton HM 08, Bermuda
Tel: (441) 294 2700

1.4. Ownership details

The Company is fully owned by the Northstar Group (Bermuda) Ltd. (“Northstar”). Northstar is a non-regulated company registered and domiciled in Bermuda.

1.5. Financial Results

Providence underwrites Private Placement Variable Universal Life Insurance policies (PPVUL) sold to non-US trusts or corporations. These individual life insurance policies are sold to qualified investors who satisfy certain suitability and financial standards. Specific rules of conduct must be followed to ensure the legal, reputational, financial and tax status of the Company and the products it issues are preserved.

The following is a snapshot of its business performance for the year:

	Dec-23	Dec-22
Net Business Income	541,362	645,697
General & Administrative Expenses	(1,425,867)	(1,119,071)
Net Investment (Loss)/ Income	<u>28,777</u>	<u>(34,785)</u>
Net loss	<u>(855,728)</u>	<u>(508,159)</u>

Net Business income is comprised of fees assessed against the policyholder account balances net of reinsurance costs and commissions due to producers.

Investment assets are held in low yielding cash and cash equivalents with an average yield of 1.7% p.a.

2. Governance Structure

2.1. Board and Senior Executives:

The Board of Directors is responsible for the management of the Company and for setting the overall strategy and ensuring its implementation. The Board meets every quarter. The Board has delegated the operational management of the Company to two outsourced service providers. The Board is comprised of 5 members and the following are their bios:

Gobind Sahney, Chairman & Chief Executive Officer. Gobind is one of the most experienced and recognised professionals within the alternative asset management sector. He is Chairman and CEO of Alpha Growth plc, an asset management company that specializes in longevity assets. Within the company, he also serves as a Director of Alpha Longevity Management Limited, an investment management company regulated and licensed by the Financial Services Commission of the British Virgin Islands.

He has performed at senior executive levels within multiple organisations that specialise in distressed debt and discounted assets totalling in excess of \$750m across North America, Europe and the UK. Additionally, Gobind was the Chairman of Stratmin Global Resources plc, an AIM listed company. His involvement began with its investment and turnaround which consisted of £2 million in distressed assets. As Chairman, he organized and executed a turnaround through the liquidation of those assets and the

identification and reverse takeover of a mining company and the associated multi-million pound fundraise.

He has spoken as a subject matter expert on distressed debt and discounted asset investing at ACA International conferences in the US, and at Credit Services Association conferences in the UK. Gobind is a graduate of Babson College, Wellesley, Massachusetts, and holds a Bachelors degree in accounting and finance. He also served on the board of trustees of Babson College from 2001 to 2010.

Jean-Francois Lemay, Chief Actuary and Chief Investment Officer (CIO), has over 28 years of experience in the life and annuity industry, both in insurance and reinsurance. His previous experience includes being the CIO and Chief Risk Officer (CRO) of Front Street Re, a Cayman based reinsurance company focused on asset intensive liabilities; CIO of NorthStar Re, a Bermuda reinsurance company; CIO of Opal Re, a Bermuda reinsurance company part of The Phoenix Group (UK); CIO of Western United Life Assurance Company in Spokane Washington. He has also worked in the Reinsurance Group of America (RGA) International division, as well as RGA Financial Products. Jean-Francois has a bachelor's in actuarial sciences from Laval University and is a Fellow of the Society of Actuaries.

Daniel L. Gray, Non-Executive Director. Mr. Gray has multi-faceted and successful experience in the life insurance industry spanning forty-four years in operations, strategy, sales, advisory and M&A.

The first twenty-two years of his career were with AXA Equitable where he served, among other roles, as President of Midwestern Operations and as SVP Corporate Strategy, reporting to Chairman & CEO Richard Jenrette and Joseph J. Melone, President, where he helped with the company's restructuring and strategic planning during its historic demutualization and IPO. For the last twenty-two years, Mr. Gray has been an insurance entrepreneur and innovator serving as Chairman and CEO of Northstar Companies, Inc. (NCos) in Charleston, SC and its wholly owned Bermuda based subsidiary, Northstar Group (Bermuda) Ltd. ("NGB").

Northstar Companies, Inc. was founded in 2000 to advise ultrahigh net worth (UHNW) international families to assist with their inter-generational wealth planning needs. Northstar also works collaboratively with private equity firms focused on acquiring large blocks of US in-force annuities and operating life insurance businesses. Northstar Companies has been actively engaged in life and reinsurance company M&A and advisory transactions as principal or advisor for the past 14 years. Mr. Gray assisted Athene Holdings (a wholly owned subsidiary of Apollo) in their purchase of Investors Insurance Corp. from SCOR Reinsurance Company, SE ("SCOR") in 2011. In addition, he acted as an "Operating Partner" consultant to Apollo Global Management from March 2010 to March 2012 and assisted them in numerous global insurance and reinsurance transactions. He has also advised on transactions on behalf of Cinven and Monument Re.

Since 2014, Mr. Gray has devoted a substantial amount of his time towards Emerging Markets microinsurance initiatives having acted as a Senior Advisor to Leapfrog Investments and Women's World Banking. He played an integral role in helping raise \$400 million for the Leapfrog Financial Inclusion Fund II along with providing advice on acquisitions and dispositions. Leapfrog is recognized as the world's largest "profit-with-purpose" financial services fund, now exceeding \$1.5 billion in committed funds, dedicated entirely to invest in insurance and adjacent financial services companies in Sub-Saharan Africa, India and Southeast Asia that address the needs of individuals making less than \$10/day.

Mr. Gray graduated with a Bachelor of Arts degree in 1976 from Millikin University in Decatur, IL. He currently serves on the Boards of 777 Reinsurance, Ltd., Merit Life and Helen Keller International. He has served on the Board of the Cancer Research Institute in NYC . From 1994-1999, Mr. Gray was a guest

lecturer on “Leadership and Decision-Making During Times of Crisis and Change” at The Fletcher School of Law and Diplomacy at Tufts University.

Jason Sutherland, Non-Executive Director. Mr. Sutherland is the CEO for DRB Capital, LLC, a leading purchaser of insurance backed products located in the United States. Since joining DRB in 2015, Mr. Sutherland has negotiated and structured multiple warehousing facilities of up to \$600m. He also launched the first ever AAA rated placements of mortality backed linked annuity receivables totaling \$151m.

Mr. Sutherland previously ran \$3bn of life insurance policies under the Lamington Road Fund in Dublin, Ireland which were acquired by Emergent Capital and was Managing Director of DLP funding group out of London under Peach Holdings LLC, with \$1.5bn under management. Prior to that Mr. Sutherland spent 12 years with the Peach Holdings Group, most recently as Managing Director of Legal and operations for Peachtree Asset Management based in London and Luxembourg, a Global leader in uncorrelated investments for institutional clients, where he obtained FCA approval, guiding the fundraising efforts, and coordinating with regulatory bodies in UK, US, Cayman Islands, Luxembourg and Ireland.

Mr. Sutherland received his Juris Doctorate in Boston in 1999 and was subsequently admitted to the State Bar of Georgia. Mr. Sutherland is also a member of the New York Bar, State Bar of Florida (in-house counsel), United States Supreme Court, Georgia Supreme Court among others, and previously maintained an FCA CF1, CF3, CF10 and CF11.

Gavin Woods, Non-Executive Director, Gavin is a Partner with Carey Olsen Bermuda, where he represents a significant number of international insurance companies headquartered, or with substantial operations, in Bermuda providing a full suite of corporate, regulatory and finance advice as well as bespoke training to these clients. Gavin also acts for numerous global financial institutions on finance and regulatory matters. Prior to joining Carey Olsen, Gavin was a partner at another law firm in Bermuda. Prior to his arrival in Bermuda in 2010, he practiced in New York and London for international law firm Freshfields Bruckhaus Deringer. He was called to the Bar of England and Wales in 2007, the State of New York Bar in 2008 and the Bermuda Bar in 2012.

2.2. Outsourcing

The Board has delegated the operational management of the Company to two outsourced service providers. Their services are described below.

Marsh Management Services (Bermuda) Ltd. (“Marsh”) is the Company’s Principal Representative and provides the principal place of business in Bermuda. Its services include accounting, administration and back-office support. The Company’s records are held on Marsh systems and therefore it relies on Marsh for internal controls and cyber risk management. Marsh is also responsible for regulatory reporting and ensuring regulatory compliance under the supervision of the Board.

Kane LPI solutions (“Kane”) provides third party administration (TPA) services. Kane provides policy administration services including the financial processing of premiums, claims, commissions and liquidations. Kane also provides non-financial transaction maintenance such as beneficiary or address changes as well as administrative support for the Company’s AML/KYC program. Kane also provides fund

administration services for the policyholder separate account assets. Kane also manages the Company's service centre and website.

3. Risk Profile

3.1. Risk Appetite

The Company has low appetite for both underwriting and investment risk. The Company reinsures its mortality risk with an A+ rated Reinsurer limiting its retention to \$200,000 per year. The assets of the general account are invested in short-term cash or cash equivalents and have minimal investment risk.

3.2 Identification and Assessment of material risks

i. Reinsurance Counterparty Risk

Our Reinsurer (PICA) may default on their obligations to us or be unable to perform service functions that are significant to our business due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Such a default could have an adverse effect on our results of operations and financial condition.

ii. Marketing Risk

We may experience difficulty in marketing and distributing products through our current and future distribution channels.

iii. Regulatory and Legal Risks

Our business is heavily regulated and changes in regulation may adversely affect our results of operations and financial condition.

Foreign governmental actions could subject us to substantial additional regulation. Changes in accounting requirements could negatively impact our reported results of operations and our reported financial position.

Legal and regulatory actions are inherent in our businesses and could adversely affect our results of operations or financial position or harm our businesses or reputation.

iv. Other Risks

The occurrence of natural or man-made disasters could adversely affect our operations, results of operations and financial condition.

4. Solvency Valuation

The valuation principles applied under the Economic Balance Sheet (EBS) Framework are the same as those used for Statutory Financial Statements and Condensed GAAP Financial Statements except for Deferred Acquisition cost which is eliminated as an asset under EBS. Assets and Liabilities are recorded at fair value. Set out below is a reconciliation between shareholder's equity and the available statutory capital and surplus:

Shareholder's equity under US GAAP	1,344,066
Non-admitted assets under Bermuda Statutory rules	<u>(18,811)</u>
Statutory Capital and Surplus	<u>1,325,255</u>
Deferred Acquisition Cost	<u>(686,891)</u>
Economic Capital and Surplus as per EBS framework	<u>638,364</u>

5. Capital Management

5.1. Capital management policy and process for determination of capital needs

The primary driver of the capital maintained by the Company is the level of capitalization required to meet Bermuda's regulatory capital requirements i.e. the Target Capital Level ("TCL") and the Minimum Margin of Solvency ("MSM");

The Company monitors capital levels on a quarterly basis.

5.2. Eligible capital categorised by tiers in accordance with the Eligible Capital Rules;

Tier 1	\$638,364
Fully paid shares	\$250,000
Contributed surplus	\$2,064,000

Eligible capital used to meet the Enhanced Capital Requirement ("ECR") and the MSM;

Available Capital & Surplus	\$638,364
Enhanced Capital Requirement	\$500,000
Minimum Margin of Solvency	\$500,000
ECR ratio	128%

5.3. Other Capital Information

i. confirmation that eligible capital is subject to transitional arrangements as required under the Eligible Capital Rules;

None

ii. identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the ECR;

None

iii. identification of ancillary capital instruments that have been approved by the Authority;

None

5.4. Regulatory Capital Compliance:

There have been no instances of non-compliance during the year.

5.5. Approved Internal Capital Model used to derive the ECR

The Company does not have an approved Internal Capital Model and it uses the BSCR Model for the purpose of calculating its regulatory capital requirements.

6. Subsequent Event

There were no material subsequent events to report.

7. Declaration

We declare that to the best of our knowledge and belief, the information contained in this Financial Condition Report fairly represents the financial condition of the Company in all material respects.

Signatory:



Name: Gobind Sahney

Role: Director, Chairman & Chief Executive Officer

Date: May 27, 2024

Signatory:



Name: Jean-Francois Lemay

Role: Director, Chief Actuary and Chief Investment Officer

Date: May 27, 2024